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NSC BRIEFING

20 September 1960

BACKGROUND

ARAB OIL MEETING

- I. From 10 to 15 September representatives of the oil producing states of Saudi Arabia, Kuwait, Iraq, Iran, Qatar and Venezuela held a series of meetings in Baghdad which resulted in the establishment of the Organization of Petroleum Exporting Countries. (OPEC).
- II. These five countries produce about half of oil moving in world trade and have more than 80 percent of reserves. OPEC membership also open to other countries which are "significant petroleum exporters."
- III. Juan Perez Alfonzo, Venezuelan Minister of Oil, has indicated that he intends to seek Soviet Union's cooperation with OPEC. Alfonzo probably will take line with Soviets that their price cuts hurt underdeveloped countries not "western oil cartel."
- IV. UAR not invited to join chiefly because Cairo's squabble with Iran over relations with Israel precluded both countries sitting at the same table and Iran's adherence in such an organization absolutely essential. Cairo press reaction critical of meetings, holding that member states going about problem in wrong manner.
- V. OPEC certain to make itself felt in oil industry--most immediately by pressure on companies to maintain artificially high posted prices for their crude. Basic differences and jealousies among members will, however, tend to make positive action extremely difficult on more fundamental issues between them and oil companies.

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